

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 FRB-02 DODE-00 PM-07 H-03 L-03

NSC-10 PA-03 PRS-01 SPC-03 SS-15 USIA-15 ACDA-19

IO-15 STR-08 OMB-01 TRSE-00 DRC-01 /161 W

----- 072767

R 111007Z OCT 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 4664

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ELAB, ECON, UK, SOCI

SUBJECT: TUC ECONOMIC COMMITTEE HIGHLY CRITICAL OF
GOVERNMENT'S STAGE THREE PROPOSALS

REF: LONDON'S 11682 AND LONDON'S 11683

1. BEGIN SUMMARY: THE TUC ECONOMIC COMMITTEE MET
OCTOBER 10 UNDER THE CHAIRMANSHIP OF SIR SIDNEY GREENE,
GENSEC OF THE NATIONAL UNION OF RAILWAYMEN, TO CONSIDER
THE GOVERNMENT'S STAGE THREE COUNTER-INFLATION
PROPOSALS. IN A PRESS CONFERENCE FOLLOWING THE
MEETING, TUC GENSEC LEN MURRAY ASRTED THAT THERE WAS
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NO QUESTION THAT THE TUC WOULD PARTICIPATE WITH THE

GOVERNMENT IN THE OPERATION OF THE STAGE THREE PROPOSALS, OF WHICH THE COMMITTEE WAS VERY CRITICAL. END SUMMARY.

2. THE ECONOMIC COMMITTEE DECIDED, SAID MURRAY, TO RECOMMEND AN EARLY MEETING OF THE TUC GENERAL COUNCIL TO DISCUSS ITS REPORT, FOLLOWING WHICH IT SHOULD SEEK A DISCUSSION WITH PRIME MINISTER HEATH TO PRESENT ITS VIEWS. MURRAY EMPHASIZED THAT THE TALKS WITH HEATH WOULD BE SIMPLY AN EXPRESSION OF TUC VIEWS ON THE GOVERNMENT'S STAGE THREE PROPOSALS. HE DID NOT EXPECT FURTHER "NEGOTIATIONS" WITH THE GOVERNMENT, ALTHOUGH THE TUC WOULD CERTAINLY WELCOME CHANGES IN THE PROPOSALS. MURRAY ALSO COMPLAINED THAT THE GOVERNMENT HAD NOT PRESENTED A "CONSULTATIVE" PAPER BUT RATHER A STATEMENT OF WHAT IT PLANNED TO DO.

3. MURRAY CATALOGUED MANY OF THE COMMITTEE'S CRITICISMS TO SPECIFIC POINTS DELINEATED IN THE GOVERNMENT'S PROPOSALS. DESPITE THE BELIEF, HE SAID, THAT THE GOVERNMENT AGREED WITH THE TUC ON THE OBJECTIVE OF FULL EMPLOYMENT, IT WAS LIMITING ECONOMIC GROWTH IN 1974 TO 3-1/2 PERCENT WHICH IMPLIED "NO MORE JOBS."

4. THE COMMITTEE WAS ALSO CRITICAL OF THE FAILURE OF THE GOVERNMENT TO PLACE REAL CONTROLS ON PROFITS AND CHARGED THAT, INSTEAD, ITS PROPOSED POLICIES WOULD LEAD TO THE ACCUMULATION OF LARGE CAPITAL RESERVES WHICH WERE BOUND TO FIND THEIR WAY ULTIMATELY INTO THE SHAREHOLDERS' POCKETS IN THE FORM OF BIGGER DIVIDENDS OR CAPITAL GAINS. IN CONTRAST, THE COMMITTEE'S VIEW, SAID MURRAY, WAS THAT CONTINUED CONTROLS ON WAGES WOULD LEAD TO A FALL IN LIVING STANDARDS FOR MANY WORKERS.

5. THE COMMITTEE ALSO COMPLAINED THAT THE 2.25 POUNDS WEEKLY INCREASE SUGGESTED BY THE GOVERNMENT (ESSENTIALLY FOR THE LOW-PAID WORKERS) WOULD NOT BE AUTOMATIC AND WOULD RESULT, IN FACT, IN A WIDENING OF THE GAP BETWEEN THE HIGHER AND LOWER PAID WORKERS. THE LIMITED OFFICIAL USE

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COMMITTEE, HE SAID, FELT THAT REAL WAGE FLEXIBILITY COULD ONLY BE OBTAINED THROUGH FREE COLLECTIVE BARGAINING AND NOT THROUGH THE RIGID STANDARDS OF BEHAVIOR SET BY THE GOVERNMENT.

6. OTHER CRITICISMS INCLUDED THE COMMITTEE'S DISSATISFACTION WITH THE GOVERNMENT'S PROPOSAL FOR EXTRA PAYMENTS UNDER EFFICIENCY PAYMENTS SCHEMES. IT

CHARGED THAT UNEER THE PAY BTARD SYSTEM OF OVERSEEING
THESE SCHEMES, THERE WOULD BE SO MUCH RIGIDITY THAT
THERE WOULD BE LITTLE INCENTIVE IN ENTERING INTO
THESE ARRANGEMENTS.

7. IN ADDITION THE COMMITTEE WAS HIGHLY CRITICAL OF
THE THRESHOLD (COST OF LIVING) IN THE GOVERNMENT'S
PROPOSALS. IT CONSIDERED THESE TO BE NO SUBSTITUTE
FOR PRICE CONTROLS AND NOTED THAT THESE THRESHOLD
ACCORDS WOULD REQUIRE RENEGOTIATION OF EXISTING
COLLECTIVE BARGAINING AGREEMENTS. FURTHERMORE,
WORKERS WOULD HAVE TO WAIT SUCH A LONG TIME FOR PAY

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RAISES UNDER THESE THRESHOLD ARRANGEMENTS THAT THE
TRADE UNIONS WOULD HAVE VERY LITTLE INCENTIVE TO
ENTER INTO THEM.

8. THE COMMITTEE, DECLARED MURRAY, ALSO CONSIDERED AS
INADEQUATE THE GOVERNMENT'S PROPOSALS TO ACCELERATE
ATTAINMENT OF EQUAL PAY FOR WOMEN.

9. COMMENT: IN A CONVERSATION WITH THE EMBASSY LABATT,
SIR SIDNEY GREENE HINTED THAT, ALTHOUGH THERE WERE
MANY TUC GRIEVANCES IN RELATION TO THE GOVERNMENT'S
PROPOSALS, ONE OF THE UNDERLYING BONES OF CONTENTION
WAS THAT, WHILE MANY WORKERS WOULD BE BETTER OFF UNDER
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THE PROPOSED 2.25 POUNDS WEEKLY INCREASES (MAINLY FOR
POORER WORKERS) THE HIGHER-PAID WORKERS WOULD NOT BE
SATISFIED BY THE PROPOSALS.

10. IN ANY EVENT, A MAJOR QUESTION WILL BE NOT SO
MUCH WHETHER THE TUC WILL PARTICIPATE IN THE "OPERATION"
OF STAGE THREE BUT WHETHER SIGNIFICANT STRIKE ACTIONS
WILL OCCUR THIS FALL AND WINTER WHICH COULD THREATEN
THE GOVERNMENT'S STAGE THREE COUNTER-INFLATION
STRUCTURE.

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